LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6436 | **NOTE PREPARED:** Dec 13, 2014
BILL NUMBER: SB 178 | **BILL AMENDED:**

SUBJECT: Nuclear Energy Projects.

FIRST AUTHOR: Sen. Merritt | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: This bill provides that projects involving the construction of nuclear energy production or generating facilities qualify for the financial incentives available for clean energy projects. (Current law provides that only projects involving the life cycle management of such facilities qualify for the incentives.)

For purposes of the statute governing the incentives, the bill amends the definition of: (1) "nuclear energy production or generating facility" to include a facility constructed in Indiana after June 30, 2015; and (2) "qualified utility system expenses" to specify that the term includes preconstruction costs and applies to a new energy production or generating facility or a new nuclear energy production or generating facility.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC)*: This bill would allow nuclear energy production or generating facilities constructed after June 30, 2015, to apply to the IURC to qualify for financial incentives for clean energy projects, including the Voluntary Clean Energy Portfolio Standard Program. There could be an increase in administrative costs for the IURC to review additional applications and issue determinations regarding eligibility for financial incentives or periodic rate adjustment mechanisms as a result of the bill. However, the IURC should be able to address the potential additional workload, assuming near customary agency staffing and resource levels.

State & Local Government Utility Expenditures: This bill could increase expenditures by state and local agencies for utilities if increases in utility rates occur. The overall impact on expenditures is indeterminable.

Additional Information -

IURC Funding: The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intra-state operating revenues to fund the IURC.

Voluntary Clean Energy Portfolio Standard Program: The Voluntary Clean Energy Portfolio Standard Program is a financial incentive program for supplying electricity generated from clean energy resources. An electricity supplier that seeks to participate in the program must submit an application to the IURC showing a reasonable expectation of being able to supply at least 10% of its electricity from clean energy by December 31, 2025. Current law provides that the IURC approve applications if they determine that approval will not result in an increase in utility rates above what could reasonably be expected if the application were not approved. Also, the IURC must require that at least 50% of the clean energy obtained by the electricity supplier to meet the energy requirements of its Indiana retail customers must originate from clean energy resources located in Indiana.

Current law provides the following clean portfolio standard (CPS) goals in order to qualify for financial incentives.

Clean Portfolio Standard (CPS) Goal Period	**CPS Goal for Electricity Supply**
January 1, 2013, to December 31, 2018	4%
January 1, 2019, to December 31, 2024	7%
January 1, 2025, to December 31, 2025	10%

IC 8-1-37-6 defines "electricity supplier" as a public utility that furnishes retail electric service to customers in Indiana, but does not include municipally owned utilities.

Explanation of State Revenues: *Rate Adjustment Mechanisms*: The bill amends the definition of "qualified utility system expenses" to include preconstruction costs associated with the study, analysis, or development of a new energy production or generating facility or a new nuclear energy production or generating facility. These facilities would be able to apply to the IURC for approval of rate adjustment mechanisms. To the extent that utility rates increase as a result of this bill, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will depend on rate adjustments allowed by the IURC.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues: If utility rates increase as a result of this bill, there could be an increase in local revenues to the extent that a local unit receives distributions from sales tax revenue.

State Agencies Affected: Indiana Utility Regulatory Commission; All.

Local Agencies Affected: All.

Information Sources: Natalie Derrickson, Indiana Utility Regulatory Commission.

Fiscal Analyst: Jessica Harmon, 317-232-9854.